delmarva power
A PHI Company

Pamela J. Scott
Assistant General Counsel

92DC42
500 N. Wakefield Drive
Newark, DE 19702

P.O. Box 6066
Newark, DE 19714-6066

302.429.3143 – Telephone
302.429.3801 – Facsimile
pjscott@pepcoholdings.com

April 29, 2015

FILED VIA DELAFILE
Ms. Donna Nickerson, Secretary
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: PSC Docket No. 14-0559 – Delmarva Power & Light Company's
2014 Integrated Resource Plan

Dear Ms. Nickerson:

Enclosed for filing is Delmarva Power & Light Company's Response to Comments Filed by Intervening Parties in Docket No. 14-0559. This Response is being filed pursuant to the provisions of PSC Order No. 8694 dated December 16, 2014.

Should you have any questions, please feel free to contact me at the number referenced above.

Respectfully submitted,

Pamela J. Scott

Enclosure
cc: Service List – Docket No. 14-0559

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF DELMARVA POWER & LIGHT COMPANY'S 2014 INTEGRATED RESOURCE PLAN (FILED DECEMBER 2, 2014)	))))	PSC DOCKET NO. 14-0559

RESPONSE OF DELMARVA POWER & LIGHT COMPANY TO COMMENTS FILED BY INTERVENING PARTIES

Pursuant to the procedural schedule approved by the Hearing Examiner in this docket, Delmarva Power (the "Company" or "Delmarva Power") by and through its counsel, submits the following responses to the comments filed by some of the intervening parties to this docket.

Background

On December 2, 2014, Delmarva Power filed its 2014 Integrated Resource Plan ("IRP") with the Delaware Public Service Commission (the "Commission"). The IRP was filed consistent with the requirements of the Electric Utility Retail Customer Supply Act of 2006 ("EURCSA")[1] and the IRP regulations promulgated by the Commission in Order No. 7693 pursuant to EURCSA (the "Regulations")[2]. The IRP addressed the requirements set forth in the Regulations, including, among other things, a projected analysis of future energy demand and supply conditions for Standard Offer Service ("SOS") customers; evaluations of various options to meet the needs of SOS customers; environmental analyses; and information on energy efficiency and demand response programs.

On March 30, 2015, three (3) of the five intervening parties submitted comments regarding the IRP[3]. These intervening parties include:

- The Division of the Public Advocate ("DPA");
- The Delaware Department of Natural Resources and Environmental Control ("DNREC"); and
- The Mid Atlantic Renewable Energy Consortium ("MAREC").

Neither Delaware Public Service Commission Staff ("Staff") nor Calpine Mid-Atlantic Energy, LLC ("Calpine") submitted any comments within the deadline for same set by the Commission in PSC Order No. 8694 dated December 16, 2014. None of the comments submitted by the intervening parties claimed or suggested that the IRP failed to meet the EURCSA requirements

[1] 26 *Del. C.* §1007,
[2] 26 *Del. Admin. C.* §3010.
[3] References to the comments filed by the intervening parties shall be cited as the party name followed by the page number where the comment appears. For example, "DPA at page _____".

or the requirements of the Regulations, that the IRP was administratively incomplete or that the IRP should not be ratified by the Commission.

Delmarva Power's responses to the interveners' comments are organized by the following general topic areas:

1. The Need for and the Cost of the IRP;
2. Issues for Further Discussion;
3. Calculation of Solar Renewable Energy Credits;
4. Assumptions Underlying the IRP;
5. Value of Externalities;
6. Level of Base Emissions in Delaware;
7. Regional Greenhouse Gas Initiative ("RGGI");
8. Natural Gas Price Forecast;
9. Long Terms Contracts for Non-Solar RECs;
10. Wind Energy and SOS Supply; and
11. Environmental Protection Agency ("EPA") Clean Power Plan.

1. The Need for and the Cost of the IRP

As in prior years, the DPA takes the position that the IRP requirement should be eliminated. (DPA at page 3). DPA then argues that although the Commission cannot eliminate the IRP requirement by itself, a finding by the Commission that the IRP, "is no longer serving the purposes for which it was intended could go a long way toward convincing the current General Assembly that it is time to bury the IRP". (DPA at page 3). Delmarva is required by EURCSA to file the IRP every two (2) years[4] and, despite DPA's argument that it should be eliminated, the Commission has not adopted this position to date. The Commission can determine whether or not it will take any position on the need for the IRP but until the law is changed, Delmarva will continue to file the IRP consistent with the mandates of EURSCA. It is important to note that in PSC Docket No. 10-2, when considering a request by the DPA to amend

[4] DPA indicates that the General Assembly amended EURSCA to require Delmarva to file an IRP every three years (DPA at page 2); however, this statement is incorrect. Senate Bill 150 from the 147th General Assembly originally contained a provision to change the filing requirements of the IRP; however, this provision was removed before the final bill was adopted and signed by the Governor.

the IRP filing schedule to once every three (3) years, the Commission declined to propose such change determining that unless the statutory provision is amended by the General Assembly, the IRP must be filed every two (2) years.[5]

Delmarva Power is committed to preparing and submitting an IRP in accordance with Delaware statutory requirements. If the statutory provision pertaining to the frequency of filing of the IRP is amended, Delmarva Power will adhere to the new amended requirements; however, unless and until the statute is amended, the Company expects to file its next IRP on December 1, 2016.

Concerning the cost of the IRP, DPA states that, "the process is expensive" and that, "in Delmarva's most recent rate case (Docket No. 13-115), Delmarva estimated that it would spend almost $2 million on the 2014 IRP". (DPA at page 4). Delmarva is entitled to recover the costs of preparing the IRP as approved by the Commission as part of retail base rates.[6] As part of that process, the Commission makes a determination as to the dollar amount of IRP expenditures the Company is entitled to recover on an on-going basis through electric base rates. Since the implementation of the requirements to file an IRP, the Company has continually endeavored to meet the IRP requirements in a cost-effective manner which has generally resulted in less money being expended on each successive IRP. Consequently, in each of the last several base rate cases, the Commission has lowered the amount that Delmarva has been able to recover for IRP expenditures. In Docket No. 13-115, the Commission authorized approximately $420,000.00 in recovery for IRP expenditures to be collected through retail rates on an annual basis. Based upon the statutory requirement of an IRP filing every two years, the amount to be recovered in rates for each IRP is $840,000.00, not the $2 million suggested by the DPA.

2. Issues for Further Discussion

Because of continuing changes that could affect the Company, DNREC proposes that a number of issues be discussed further as part of this docket. (DNREC at page 1). These issues include:

[5] PSC Order No. 8083, Docket 10-2, dated January 10, 2012.
[6] 26 *Del. C.* §1007(c)(1)(d).

a. Externalities
b. Energy Efficiency
c. RPS Compliance Costs
d. Avoided Costs and Price Suppression Effects

The Company does not object to discussing these issues further with the other parties in Docket No. 14-0559. The Company respectfully suggests that the results of such discussions be used to help shape the analysis to be undertaken as part of the 2016 IRP.

3. Calculation of Solar Renewable Energy Credits

DNREC notes that the IRP projects that the cost of Solar Renewable Energy Credits ("SRECs") will increase in the coming years, even while "the cost of installed solar power has declined over the last several years", and that "while some incentives are likely to decrease or even disappear ... ", Delmarva's costs estimates seem conservative. (DNREC at page 4). While installed solar costs are currently estimated around $2,300/kW, the projection embedded in the IRP analysis performed by Pace Global includes a decline to $2,000/kW in the next few years and below that level into the 2020's. Although capital costs decline by around 20% over the 10-year IRP Planning Period forecast, the analysis assumes the expiration of the current 30% investment tax credit at the end of 2016, thereby raising the effective all-in cost for solar development and offsetting the technology-driven declines. Further, the statutory requirement for solar increases significantly over the next 10 years[7], which will require the construction of significant incremental capacity in order to maintain compliance. As demand for solar generation ramps up, new projects with sites that may not include optimal cost or capacity factor conditions are likely to drive up SREC prices, which is the reason behind our rising price forecast until the early 2020's. Beyond 2023, falling Renewable Energy Credit ("REC") prices are projected as Renewable Portfolio Standards ("RPS") requirements plateau and capital cost declines persist.

Delmarva Power understands, however, that although it supports the analysis performed by Pace Global, the analysis results in a "forecast." In the end, all but the rarest of forecasts are off, to one degree or another – either too high or too low. Delmarva agrees that several other

[7] 26 *Del. C.* §354(a).

potential occurrences in the future could lead to lower SREC prices, should the occurrences take place. These include:

- Extension of renewable tax incentives;
- Accelerated capital cost declines; and
- Stronger energy or capacity prices, offsetting the SREC values required by new project developers.

4. Assumptions Underlying the IRP

The environment in which Delmarva prepares the IRP is not static. Changes in laws, regulations, markets, technology and other events that occur after the IRP planning model is developed and the IRP is filed can often have impacts on the IRP results (e.g., the proposed section 111(d) of the Clean Air Act). However, the fact that the Company must make certain modeling assumptions about the future prior to the filing of the IRP does not render the IRP "outdated before it is filed" as suggested by DPA. (DPA at page 3). DPA lists a number of potential "game changing" events that have occurred since the filing of the IRP. (DPA page 4). While technically it would have been possible for the 2014 IRP to consider these potential future events, such analysis would have greatly increased the cost of preparing the IRP and the analysis more than likely would have needed to be rerun once the specifics surrounding the particular event actually occurred.[8] Discussion of these events by the IRP Working Group prior to the filing of the next IRP in 2016 would result in obtaining the input of interested parties to select the most desirable scenarios (if any) to evaluate in that IRP.

DPA also suggests that in past years, despite "dramatic" developments and extensive comments by intervening parties, the filed IRP has not been changed. (DPA at page 4). Consistent with the agreement amongst the parties participating in the IRP, the practice has been that changes offered during the Working Group process are incorporated into the *next* IRP to be filed. An example of these changes is the inclusion of the percentage impact on average customer electric bills of Delmarva's compliance with the RPS, now a major section of both the 2012 and 2014 IRP. This addition to the 2012 and 2014 IRPs was due in large part to the efforts

[8] In their list of "game-changing" events, DPA states: "Besides increasing the time between IRPs from two to three years, House Bill 150 made significant changes to strengthen energy efficiency in Delaware." The bill that was enacted that strengthened energy efficiency in Delaware was *Senate Bill 150* and this bill, as enacted, did not contain any provision to change the filing schedule for the IRP.

of the Caesar Rodney Institute's participation in the IRP Working Group meetings following the filing of the 2010 IRP. The intervening parties' comments provide a logical starting point for collaborative discussions in the IRP Working Group to improve the *next* IRP. This has proven to be a more cost-effective way to incorporate changes into the IRP as opposed to completely overhauling the current Plan.

5. Value of Externalities

The current IRP regulations require that Delmarva prepare a quantification of the external benefits of improving air quality on human health (i.e., "externalities"). The theory is that when emissions from all sources (including power plants) are reduced, air quality, measured as reductions in atmospheric particulate matter and ozone improves thus resulting in external health benefits. Renewable resources such as wind and solar generation have the potential to reduce power plant emissions.

The reduction in power plant emissions occurs because the PJM electric power grid typically operates so as to match customer electrical load requirements with generation output on a real-time basis. Consequently, when the wind blows and the sun shines, and intermittent wind and solar resources generate and inject power into the electric grid, the output of other non-renewable generation sources, which primarily use the combustion of fossil fuels to produce electric power, generally decrease. The fossil fuel combustion process leads to the creation of CO_2, NO_x and sometimes SO_2 depending on the fuel being burned. As long as renewable resources such as wind or solar displace the output from fossil fuel based generating resources, emissions of these pollutants into the atmosphere decrease. Conversely, the removal of renewable wind and solar resources from the generation mix would lead to increases in emissions from fossil fueled power plants.

DPA's analysis of externalities posits that expected future power plant emissions in Delaware are stable, and historic levels of these emissions in Delaware are lower than what is projected in IRP planning year 2024/2025. This leads DPA to conclude that: "if there is no reduction in emissions there will be no externality benefits", (DPA at page 6), and that: "stable emissions mean no change in externality cost." (DPA at page 8).

DPA's evaluation and conclusions that expected stable emission levels in Delaware imply no change in externality cost is incorrect and not consistent with the method incorporated in the 2014 IRP. In order to estimate externalities for the 2014 IRP, the Company used data from three sources:

1.) Estimates of the external cost per ton of NO_x, SO_2 and CO_2 as provided in the *2012* IRP. (The 2012 figures already provide a wide range of values for each pollutant and using these figures saved customers the expense of rerunning the analysis for the 2014 IRP);
2.) The adjusted average emission rates for NO_x, SO_2 and CO_2 for *PJM as a whole.* (As discussed further below, DPA's approach only examined emission levels in Delaware); and
3.) The estimated reduction in fossil based generation mWh resulting from Delmarva's RPS portfolio. (This reduction in fossil fuel based generation would otherwise not have occurred absent the RPS).

DPA's analysis does not appear to account for fossil fuel based emissions that are displaced or avoided as a result of increasing levels of renewable resources in the PJM generation mix as described earlier. The IRP model forecasts very significant percentage increases in the energy produced by wind (over 100%) and solar (about 500%) resources across the PJM footprint over the 10 year IRP Planning Period. These projected percentage increases in renewable generation are much greater than the projected 11% increase in all other generation resources. The increase in renewable generation is driven in large part by PJM state mandated RPS requirements. DPA's suggestion that stable emission levels imply no externality costs ignores the fact that such significant increases in wind and solar resource generation will displace fossil fuel generation and will, therefore, avoid emissions that would have otherwise been created by fossil fuel based generation.

The evaluation of externalities embedded in the 2014 IRP is based primarily on an analysis of particulate matter and ozone formation over the entire Mid-Atlantic Region, which includes the District of Columbia, Delaware, Maryland, New Jersey, most of Pennsylvania and Virginia, and parts of New York, Connecticut, and West Virginia. This approach recognizes that atmospheric emissions created in other states can and do "travel" across state boundaries and into Delaware. Consequently, renewable resources located outside of the State of Delaware can reduce power plant emissions that would otherwise have found their way into Delaware. DPA's

analysis only focusses on emissions created in Delaware and thus misses a significant part of the equation.

6. Level of Base Emissions in Delaware

As part of the 2014 IRP, the Company presented information on the expected emission levels of NO_x, SO_2, and CO_2 arising from generating facilities in Delaware. The emission projections for Delaware are based on a plant-by-plant chronological hourly simulation of generation resources within the PJM market. The near term results of the simulation of expected generation are driven by low natural gas prices in the near-term, and significant coal retirements in the wider PJM footprint expected in 2015 and 2016. This results in expected higher capacity factors for some Delaware natural gas fired generation resources than those realized in recent history. Notably, the combined cycle facilities at Hay Road and Garrison Energy Center (the new Calpine plant) are projected to operate at capacity factors around 60-75% over the next few years. The forecast projects that rising gas prices and more efficient combined cycles and renewables (primarily outside of Delaware) will displace energy production from in-state plants over time. The net impact of these changes is a projected increase in power plant emissions in Delaware in the next few years relative to recent history.

DPA suggests that the level of base emissions for Delaware provided in the IRP is "simply wrong" when compared to historical levels. (DPA at page 6). However, the Company's estimates of generation emissions in Delaware are based on a market assessment that considers the impact on emission levels in Delaware arising from relative changes in fuel prices and the retirements of coal fired generating units outside of Delaware. The projected levels of emissions described in the IRP are higher than historical levels because market conditions that affect emission levels have changed.

7. Regional Greenhouse Gas Initiative ("RGGI") Allowance Prices

The RGGI program is a regional CO_2 cap and trade program among Maryland, Delaware, New York and the six New England States. RGGI is a regional initiative designed to reduce the emission of green-house gases, such as CO_2, into the atmosphere. An important aspect of RGGI is the pricing of CO_2 emissions from power plants in the participating states. Essentially, power

generators within RGGI must purchase a CO_2 allowance to cover each ton of CO_2 emitted into the atmosphere. For the 2014 IRP, the expected RGGI allowance prices used in the analysis expressed in real 2013 $/ton of CO_2 are shown below:

2014 IRP: RGGI Allowance Prices (Real 2013 $/Ton)

Year	2013$/ton
2015	4
2016	6
2017	7
2018	8
2019	9
2020	10
2021	10
2022	10
2023	10
2024	10
2025	10

The 2014 IRP did not ignore the impact of RGGI on power market prices as suggested by DPA (see DPA at page 8). Rather, all results shown in the 2014 IRP reflect the inclusion of the RGGI CO_2 allowance prices as shown above.

8. RGGI Emission Caps

Statewide emission caps are another important aspect of RGGI. The RGGI CO_2 emissions cap is apportioned among each RGGI participating state. The available allowances for auction in 2015 are 66.8 million allowances declining by 2.5 percent each year for a 2020 total of 56.28 million allowances. DPA questions whether the Electric Generating Units ("EGUs") will have to curtail generation in order to comply with RGGI. (DPA at pages 9-10). Delaware EGUs are able to purchase allowances offered in the RGGI regional allowance auctions from any other RGGI state and use them for compliance purposes. In addition, the RGGI program allows EGUs to bank allowances from one compliance period to the next which provides compliance flexibility and lowers costs. The RGGI program also includes 10 million cost containment reserve (CCR) allowances per year, starting in 2015, that are made available to market participants through the quarterly auctions if allowance price bids reach predetermined levels referred to as the "CCR trigger price". Consequently, EGUs in Delaware are expected to be able

to procure additional CO_2 allowances and, therefore, not have to curtail production over the IRP Planning Period.

9. Natural Gas Price Forecast

An integral part of the 2014 IRP is the forecast of natural gas prices. DPA asks if, given the current state of natural gas prices, the Company would use the Low Gas Case Price forecast instead of the Reference Case forecast. (DPA at page 9). In preparing the IRP natural gas price forecast in October 2014, Pace Global provided a Reference Case Henry Hub gas price forecast that grew from $3.77/MMBtu in 2015 to $5.53/MMBtu in 2025 (real 2013 $). Several variables factored into this Reference Case projection. In the short-term, October 2014 futures markets pointed toward a more costly 2015 on the expectation that a cold 2014-15 winter, together with below average levels of working gas in storage, would keep 2015 prices above $3.50/MMBtu. In the medium- to long-term, forecasted demand from export markets, power generation, and industrial demand was expected to put significant upward pressure on prices.

Now that we are well past the 2014-15 winter heating season, which proved to be fairly normal (fuel stocks were well managed and New England avoided the spectacular gas price spikes experienced during the Polar Vortex in 2014), 2015 and 2016 prices are expected to be closer to $3.00/MMBtu due to the lack of demand this past winter and the continued abundant production of natural gas. However, in the medium- to long-term, it is expected that the demand response to sustained low prices will be robust enough to put strong upward pressure on gas prices on the Gulf Coast, where the benchmark Henry Hub market point is located and where most anticipated natural gas demand will be concentrated. Gas demand for power generation, industrial projects, and Mexican exports are expected to grow during this timeframe, even while the onset of LNG exports from Sabine Pass, Cameron, Lake Charles, Freeport, and Golden Pass reduces the proportion of gas demand available to all other sectors. In particular, power generation gas demand is expected to grow, but will compete with LNG for supply. Accordingly, gas prices at the benchmark Henry Hub are still expected to climb to over $5.00/MMBtu by 2020. In other parts of the country, particularly in the Marcellus region where production continues to grow, gas prices will remain artificially low until either pipeline takeaway capacity increases, new demand grows significantly, or both.

In summary, in the short-term, gas prices may adhere more closely to the Low Gas Case Price forecast. In the medium-to long-term, the demand fundamentals have not changed significantly since the October 2014 assessment and are expected to continue to provide strong upward price pressure at Henry Hub as 2020 approaches.

10. IRP Working Group Meetings

The IRP Working Group meetings that have taken place in connection with the review of previous IRP's have provided a collaborative, effective and efficient forum for the parties to exchange information and suggestions related to the IRP. Past IRP Working Group meetings have served as catalysts to reach a settlement amongst the parties participating in the IRP, without the need for costly and time consuming evidentiary hearings. Reaching appropriate settlements is consistent with the statutory goal of "encourag[ing] the resolution of matters brought before [the Commission] through the use of stipulations and settlements." 26 *Del. C.* § 512. In addition, the Working Group meetings have resulted in changes and improvements to subsequent IRPs, based upon comments from and issues raised by interveners during such meetings. The working group process has sped up the review process in a cost-effective manner.

DPA suggests that there be one and only one Working Group meeting related to the 2014 IRP. (DPA at page 3). While the Company will endeavor to respond to the comments and questions of the DPA and other parties in a timely manner at each Working Group meeting, it would not be appropriate to limit the *number* of IRP Working Group meetings *before* they even get started. The parties should be able to decide after each Working Group meeting whether any issues remain that would require additional meetings.

11. Long Term Contracts for Additional Non-Solar RECs

Currently, Delmarva procures the large majority of the RECs and SRECs needed to comply with its annual RPS requirements through long term contracts and REC offsets provided by a Qualified Fuel Cell Provider ("QFCP"). A much smaller portion of the Company's compliance needs are obtained through spot market purchases. MAREC notes that the IRP is forecasting a "non-solar REC deficiency in compliance years 2015/2016 through 2024/2025"

(MAREC at page 7). Further, MAREC has consistently maintained that Delmarva should meet a reasonable portion of its deficiency in non-solar RECs for RPS compliance through long term competitively procured wind energy and REC contracts. MAREC indicates that this position is even more apparent as a result of the restated non-solar REC deficiencies now shown in Table 7 from Section VIII of the IRP. (MAREC at page 10). Table 7 is shown below; however, a column has been added to show the percentage of non-solar RECs that will need to be procured in order to meet the annual RPS requirements for non-solar RECs:

QFCP Impact on Delmarva Power's Net RPS Position

Compliance Year	REC Requirement	QFCP ERECs	Contracted Resources	Net Position	% of RPS Requirement
2015/16	817,508	457,272	338,627	-21,609	-3%
2016/17	902,830	457,272	338,627	-106,932	-12%
2017/18	980,809	457,272	338,627	-184,911	-19%
2018/19	1,054,541	457,272	338,627	-258,643	-25%
2019/20	1,127,656	457,272	338,627	-331,757	-29%
2020/21	1,167,720	457,272	338,627	-371,822	-32%
2021/22	1,209,257	457,272	338,627	-413,359	-34%
2022/23	1,251,376	457,272	338,627	-455,477	-36%
2023/24	1,292,086	457,272	338,627	-496,188	-38%
2024/25	1,334,553	457,272	338,627	-538,655	-40%

As can be observed from the modified Table 7, the additional non-solar REC requirements that need to be procured are projected to be relatively modest for the next few years. Given that, at present, spot market purchases of RECs are lower than what the Company is currently paying for RECs through the existing long term contracts and for what the Company could expect to pay under new long-term contracts under current market conditions, it seems reasonable to wait for a few years before pursuing a new competitive solicitation seeking new long-term supply obligations. The Company believes that the level of dependence on spot market purchases would be a reasonable issue to be considered by the Renewable Energy Task Force as part of their duties and responsibilities as set forth in 26 *Del. C.* §360(d).

12. Wind Energy and SOS Supply

SOS customer energy supply is provided through a Commission approved competitive auction process. As part of the auction, potential suppliers bid full service requirements contracts in 50 mW blocks at a fixed price for three years. Each auction secures approximately 33% of the total SOS electrical load requirements. MAREC suggests that the principles supporting long term contracts for wind energy for RPS compliance SOS supply be considered for general supply procurement purposes. (MAREC at page 13). Such a proposal would be at odds with the current process which secures full service requirements for SOS customers, and would also require the Company to incur significant expense to manage and hedge an SOS portfolio separate from the full service requirements contracts. The Company also notes that current SOS providers are at liberty to include wind resources in their portfolios to support their full requirement service obligations and can do so as profitability dictates.

13. Environmental Protection Agency ("EPA") Clean Power Plan

The EPA is expected to issue its final rule under Sec 111(d) of the Clean Air Act in the Summer of 2015. Sec 111(d) is expected to require the states to develop regional or individual state plans to reduce the rate of CO_2 emissions from electric power plants by 2030. These plans must be approved by the EPA. The final rule is expected to allow the states discretion in how they use the "building blocks" of energy efficiency, heat rate improvement, renewable energy, and increased use of natural gas fired combined cycle plants. At this point, however, the final rules haven't been released and it is not expected that Delaware would have a plan approved by EPA until 2018. MAREC, however, suggests that, "Delmarva be directed to update its carbon dioxide scenarios to reflect EPA's Clean Power Plan". (MAREC at page 15). Not only are the final rules of the Clean Air Act not available at this time, the Delaware plan may be several years away. It would be both premature and unwise to update the Company's analyses without knowing the particulars of the yet to be developed or approved State Compliance Plan. In addition, the EPA rules impact all customers in the *State of Delaware,* not just Delmarva customers. It would be unfair to ask Delmarva's customers to pay for the increased cost to

perform the update requested by MAREC without requiring the same of other non-Delmarva customers.

In the end, MAREC needs to accept the fact that the specifically stated primary purpose of the IRP is to "acquire sufficient, efficient and reliable resources over time to meet [Delmarva Power] customers' needs *at a minimal cost*" and "at the *lowest reasonable cost*." 26 *Del. C.* § 1007 (c) (1) (*emphasis added*). MAREC's position that Delmarva should be required to obligate itself to long term contracts for RECs and wind energy, along with its recommendation to require Delmarva to prematurely update its carbon scenarios to reflect an EPA plan that has yet to be finalized, appear designed to benefit MAREC's members, rather than Delmarva's customers. As such, MAREC's positions are incongruous with both the purpose of the IRP and the best interests of Delmarva's customers.

Conclusions and Recommendations

Based on the comments received on March 30, 2015, Delmarva suggests the following steps as a path forward in this docket:

1. An IRP Working Group meeting should be held to discuss the comments filed by the parties in this docket. In order to expedite the process, Delmarva will prepare an agenda in advance based upon the comments received. At the first Working Group meeting, the parties can determine whether their issues have been addressed or whether additional meetings will be necessary. The number of Working Group meetings to be held should be based upon the amount necessary to meet the purposes of the IRP in an effective and efficient manner.
2. Additional recommendations for analysis resulting from the Working Group meetings can be incorporated into the next IRP, as appropriate, to be filed December 1, 2016.
3. Prior to the filing of the 2016 IRP, Delmarva agrees to hold additional Working Group meetings for any party wishing to participate in order to obtain stakeholder input into the analyses to be included in the 2016 IRP.
4. Unless and until the regulatory provisions are amended, Delmarva Power will continue to include an evaluation of externalities as part of the next IRP.
5. Unless and until the statutory provisions are amended by the General Assembly, Delmarva Power will continue to submit an IRP pursuant to the schedule set forth in

EURSCA. Under the existing statute, the next IRP will be filed on or before December 1, 2016.

6. As no party identified any compliance deficiencies with the IRP, the Hearing Examiner should recommend to the Commission that it ratify the IRP as meeting the requirements of 26 *Del. C. §1007 and* 26 *Del. Admin. C. §*3010.

Respectfully submitted,

Pamela J. Scott (#2413)
Assistant General Counsel
Delmarva Power & Light Company
500 N. Wakefield Drive
Newark, DE 19714
(302) 429-3143
pjscott@pepcoholdings.com

Dated: April 29, 2015

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF DELMARVA POWER & LIGHT COMPANY'S 2014 INTEGRATED RESOURCE PLAN (FILED DECEMBER 2, 2014)	))))	PSC DOCKET NO. 14-0559

CERTIFICATE OF SERVICE

I hereby certify that on April 29, 2015, I caused the attached RESPONSE OF DELMARVA POWER & LIGHT COMPANY TO COMMENTS FILED BY INTERVENING PARTIES to be served on all persons on the accompanying service list via electronic mail and through DelaFile.

Pamela J. Scott (#2413)
Assistant General Counsel
Delmarva Power & Light Company
500 N. Wakefield Drive
Newark, DE 19714
(302) 429-3143
pjscott@pepcoholdings.com

Dated: April 29, 2015

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Filling Date:12/02/2014 Docket Type:Integrated Resource Plan
Case Manager:Kevin Neilson Status:Assigned
Docket Caption:IN THE MATTER OF INTEGRATED RESOURCE PLANNING FOR THE PROVISION OF STANDARD OFFER SERVICE BY DELMARVA POWER & LIGHT COMPANY UNDER DEL. C. §1007(C) & (D)

Service Users List:

Last Name	First Name	Company	Address	City	State	Zip Code	Email	Phone
Lawrence	Mark	Delaware Public Service Commission	861 Silver Lake Blvd, Cannon Bldg, Ste 100	Dover	DE	19904	Mark.Lawrence@state.de.us	(302) 736-7540
Dillard	Janis	Delaware Public Service Commission	861 Silver Lake Blvd, Cannon Bldg, Ste 100	Dover	DE	19904	Janis.Dillard@state.de.us	(302) 736-7542
Donoghue, Esq.	Jo	Delaware Public Service Commission	820 North French Street, 6th Floor	Wilmington	DE	19801	Jo.Donoghue@state.de.us	302-577-8348
Howatt	Robert	Delaware Public Service Commission	861 Silver Lake Blvd, Cannon Bldg, Ste 100	Dover	DE	19904	Robert.Howatt@state.de.us	(302) 736-7516
Loper	Toni	Delaware Public Service Commission	861 Silver Lake Blvd, Cannon Bldg, Ste 100	Dover	DE	19904	Toni.Loper@state.de.us	302-736-7534
Neilson	Kevin	Delaware Public Service Commission	861 Silver Lake Blvd, Cannon Bldg, Ste 100	Dover	DE	19904	Kevin.Neilson@state.de.us	(302) 736-7514
Nickerson	Donna	Delaware Public Service Commission	861 Silver Lake Blvd, Cannon Bldg, Ste 100	Dover	DE	19904	Donna.Nickerson@state.de.us	302-736-7528
Bonar	David	Division Of The Public Advocate	401 Federal Street, Suite 3	Dover	DE	19901	David.Bonar@state.de.us	307-577-5078
Iorii	Regina	Division Of The Public Advocate	820 N. French Street, 4th Floor	Wilmington	DE	19801	regina.iorii@state.de.us	302-577-8159
Maucher	Andrea	Division Of The Public Advocate	29 South State Street	Dover	DE	19901	andrea.maucher@state.de.us	302-241-2545
Price	Ruth Ann	Division Of The Public Advocate	820 N. French Street, 4th Floor	Wilmington	DE	19801	ruth.price@state.de.us	302-577-5076
Elvy	Vivalyn	Calpine	500 Delaware Ave. Suite 600	Wilmington	DE	19801	vivalyn.elvy@calpine.com	302-736-7514
Goodman	Todd	Delmarva Power	P.O. Box 6066	Newark	DE	19714	todd.goodman@pepcoholdings.com	302-429-8736
Kassab	William	Delaware Dept of Natural Resources & Env Control	820 North French Street	Wilmington	DE	19801	william.kassab@state.de.us	302-577-8906
Lamoreaux	David	Calpine	500 Delaware Ave. Suite 600	Wilmington	DE	19801	david.lamoreaux@calpine.com	907-513-4470

Noyes	Thomas	Delaware Dept of Natural Resources & Env Control	1203 College Park Drive, Suite 101	Dover	DE	19904	thomas.noyes@state.de.us	302-735-3356
Scott	Pamela	Delmarva Power	500 North Wakefield Drive	Newark	DE	19702	pjscott@pepcoholdings.com	302-429-3143
Agro	Jill	Womble Carlyle Sandridge & Rice	222 Delaware Ave.	Wilmington	DE	19801	jagro@wcsr.com	302-252-4325